

Function 600: Income Security

Function 600 consists of a range of income security programs that provide cash or near-cash assistance (e.g., housing, food, and energy assistance) to low-income persons, and benefits to certain retirees, persons with disabilities, and the unemployed. Housing assistance programs account for the largest share of discretionary spending in this function. Major federal entitlement programs in this function include Unemployment Insurance, food stamps, Temporary Assistance to Needy Families (TANF), child care, and Supplemental Security Income (SSI). The function also includes spending associated with the refundable portions of the Earned Income Tax Credit (EITC) and Child Credit. Federal and other retirement and disability programs, which make up approximately one-third of funds in this function, are discussed in *Function 800 (General Government)*.

Overview

The House Republican budget provides \$44.9 billion in discretionary funding for Function 600 for 2003, the same level provided by the President's budget. This amount is \$1.8 billion less than CBO's estimate of the amount necessary to maintain purchasing power in these programs at the 2002 level. The President's budget also displays a total of \$1.7 billion over ten years (2003-2012) in this function to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for employees. This amount reflects only an accounting change and does not represent a programmatic increase. See *Appropriated Programs* and *Creative Accounting* for further discussion.

**House Republican Cuts for 2003
Selected Cuts In Appropriated Programs
Compared to Constant Purchasing Power**

- Public Housing Repairs -\$471 million
- LIHEAP -\$338 million
- Child Care (CCDBG) -\$40 million
- Rural Housing/Econ Dev -\$25 million
- Homeless Assistance -\$14 million

In 2003, the House Republican budget provides \$274.0 billion for the mandatory programs of Function 600, an increase of \$4.0 billion above OMB's projection of spending under current law. Over five years (2003 - 2007), the House Republican budget spending levels are \$6.7 billion higher than OMB's projection of spending under current law. The higher House Republican five-year spending level accommodates \$4.4 billion in spending associated with the recently-enacted economic stimulus bill, P.L. 107-147 (see box *Economic Stimulus in the House Republican Budget*).

It also accommodates \$2.4 billion in additional spending for the reauthorization of TANF, Food Stamps, and related programs; the same amount dedicated to these purposes by the President's budget.

The House Republican budget provides \$4.0 billion more than the President's original budget in 2003, but \$1.1 billion less than the President from 2003-2007. While the Republican budgets include the same overall spending on TANF, Food Stamps, and related programs, they differ in two important ways. The House Republican budget for Function 600 includes economic stimulus

spending (which the Administration budget did not include in this function), and the House Republican budget rejects the Administration's policy to shift state unemployment insurance administration costs to the states.

Welfare and Related Family Support Programs

Most provisions of the landmark Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), often referred to as the Welfare Reform Act, will expire if they are not reauthorized in 2002. PRWORA replaced the former federal welfare entitlement program with flexible Temporary Assistance for Needy Families (TANF) block grants. The law also increased child care funding, improved child support enforcement, reduced the number of children eligible for the SSI program, reduced funding for the Title XX Social Services Block Grant (SSBG), and terminated most legal immigrants' access to food stamp and other benefits.

The House Republican budget increases total mandatory spending in this function relative to current law as measured by OMB by \$9 million in 2003 and \$2.4 billion over five years for all welfare-related purposes. This is the same amount of additional spending provided by the President's budget for "Welfare Reform" purposes, including the reauthorization of the TANF, Food Stamp, and Child Support Enforcement programs and changes in the SSI program. Unlike the President's budget, the House Republican budget fails to extend the Transitional Medicaid Assistance for families leaving welfare through 2003. See *Function 550 (Health)* for information on Medicaid, *Nutrition Assistance* in this section for a discussion of food stamps, and *Function 500 (Education, Training and Social Services)* for a discussion of SSBG and training programs.

How TANF & Related Programs Fare House Republican Budget 2003 - 2007

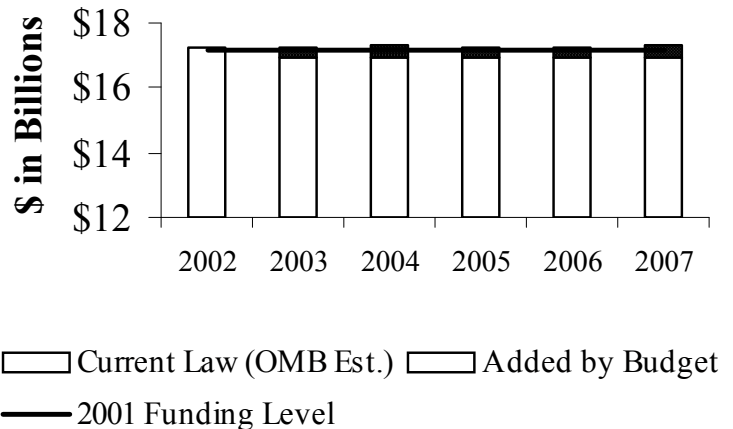
- *TANF* — Funding frozen at 2001 enacted level through 2007
- *Child Care entitlement to states* — Funding frozen at 2002 enacted level through 2007
- *Food Stamps* — +\$1.1B
- *Child Support* — +\$3M, including \$173M in Food Stamp & Medicaid savings
- *SSI* — Review policy saves \$123 M

- ***Freezes Overall Welfare Funding; Redirects \$200 Million to Marriage Promotion*** — The TANF funding levels provided in the Republican budgets freeze the major source of TANF funding, the TANF state block grants, at \$16.5 billion — the same level provided since 1997 — through 2007. Grants to tribes and territories are similarly frozen at their 1997 enacted levels of \$101 million per year through 2007. The Republican budgets provide additional TANF spending of \$46 million in 2003 and \$1.4 billion over five years relative to current law to extend two expiring TANF components — Supplemental Grants for states with low historical welfare funding and the Contingency Fund for states experiencing economic hardships — through 2007. The extension freezes Supplemental Grant funding at the 2001 and 2002 enacted funding level of \$319 million through 2007. The extension continues to

make up to \$2 billion in Contingency Funds available for states experiencing hardships from 2003 - 2007. The Republican budgets project that states will tap only \$235 million of these contingency funds over the five year period, however.

Current TANF law provides \$300 million per year in bonus grants to states for high performance (in the areas of participant job retention, access to work supports, etc.) and reductions in out-of-wedlock births. The Administration's TANF reauthorization policies redirect \$200 million of the \$300 million in state bonus funds to "programs that encourage healthy, stable marriages." Together, these redirected funds account for \$200 million of the \$300 million the Administration says it dedicates to marriage promotion activities. The fine print indicates that states will have to supply the remaining \$100 million — whether from their TANF block grants or other funds.

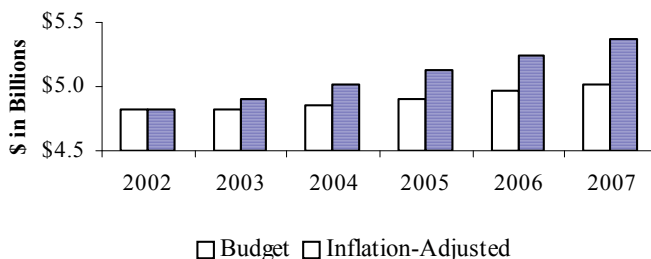
Republican Budgets Freeze Total TANF Funding at 2001 Enacted Level Through 2007



- Freezes Funding for Child Care** — Like the Administration's budget, the funding levels in the House Republican budget freeze funding for the Child Care and Development Fund at the 2002 enacted level of \$4.8 billion, providing \$2.1 billion in discretionary funding for the Child Care and Development Block Grant (CCDBG) and \$2.7 billion for the child care entitlement grant to states. This cuts discretionary funding compared with CBO's estimate

of the amount necessary to maintain purchasing power at the 2002 level by \$40 million in 2003 and \$167 million over five years. The budget freezes entitlement grant funding at the 2002 enacted level through 2007, cutting entitlement funds below an inflation-adjusted level by \$49 million for 2003 and \$948 million over five years.

**Child Care Losing Ground to Inflation
Republican Budgets, 2002 - 2007**



- Increases Child Support Distribution to Families, Reducing Spending in Related Programs*** — The House Republican budget spending levels include \$66 million in savings in 2003 and \$176 million in additional spending over five years relative to current law for changes in child support enforcement and distribution. Changes include measures encouraging states to increase the amount of child support collections passed on to families in the TANF system and the institution of a \$25 user fee for families outside the TANF system for whom the states make collections. The budget also assumes that additional child support payments to families will generate savings relative to current law in related programs that would otherwise support those families (\$133 million in Food Stamps and \$40 million in Medicaid over five years). The House Republican budget credits all savings to Function 600.
- Republicans Reject Child Care in Favor of Taxes*** — During Committee consideration of the Republican resolution, Democrats offered an amendment to the House Republican budget that added \$11.4 billion in child care funding over five years to serve an estimated one million more kids and improve the quality of the care they receive. Republicans rejected this amendment in order to preserve the tax cuts in their budget.
- SSI Review Policy Reduces SSI and Medicaid Spending by \$123 Million*** — The spending levels in the House Republican budget reflect the Administration's proposed changes in the SSI program. The Administration applies an accuracy and review standard currently used by the Social Security Disability Insurance Program to SSI disability awards. This provision reduces 2003-2007 spending in the SSI and Medicaid programs by \$41 million and \$82 million, respectively. The House Republican budget credits Medicaid savings resulting from this policy to Function 600 rather than Function 550 (Health).
- Making Good on Old Promises to Foster Kids*** — The House Republican budget increases funding for the Safe and Stable Families Program by \$130 million and provides \$60 million in education and training vouchers for youths aging out of the foster care system. Both the Administration budget and the Republican budget resolution for 2002 originally promised new entitlement funding for these increases. However, in August 2001, the Administration instead requested that existing discretionary funding cover these initiatives. The 2003 Republican budgets provide this long-promised additional funding within their discretionary funding levels.
- Cuts LIHEAP Formula Funding by 17.6 Percent*** — At a time when the nation is still recovering from a recession, the House Republican budget cuts Low-Income Heating and Energy Assistance Program (LIHEAP) formula grants to states by \$300 million (17.6 percent) compared with the 2002 enacted level. Compared with CBO's estimate of the amount necessary just to maintain purchasing power at the 2002 level, the cut is worse — \$338 million (19.9 percent). The House Republican budget provides \$1.4 billion in LIHEAP formula grants to states and \$300 million in contingent emergency funding for 2003. In

2002, Congress provided \$1.7 billion for formula grants and \$300 million in contingency funds.

Nutrition Assistance

- ***Food Stamp Reauthorization*** — Like the Administration's budget, the House Republican budget increases spending in the Food Stamp program by a total of \$29 million in 2003 and \$990 million over five years relative to OMB's estimate of current law. This five year amount assumes \$1.1 billion in additional spending associated with the reauthorization of the Food Stamp program and \$133 million in food stamp savings resulting from legislative changes in the Child Support Enforcement program (see *Increases Child Support Distribution...* in this section for additional information).

Unemployment Insurance (UI)

- ***House Rejects Administration's UI Devolution Policy, but Fails to Restore \$2.2 Billion in Discretionary Cuts for UI Administration*** — The House Republican budget rejects an Administration initiative that cuts federal UI payroll taxes by 75 percent while gradually shifting the costs of state UI administration from the federal budget to the states from 2003 - 2007. However, by adopting the President's discretionary funding levels for this function, the House Republican budget assumes discretionary spending levels that include \$2.2 billion in cuts to federal spending for state UI administration over five years. For 2007 — the first year of full implementation — discretionary cuts resulting from the Administration's proposal reach \$2.2 billion. The impact of this cut is slightly offset by other assumptions in the Administration's budget for UI. However, replacing the net \$1.8 billion cut to state administrative funds for 2007 will require a 3.7 percent cut in all other programs in the function. Funding for states' Employment Service operations are similarly cut in the House Republican budget (see *Function 500 (Education, Employment, Training, and Social Services)* for discussion of future cuts in employment services).
- ***Includes Extended Unemployment Benefits in Economic Stimulus*** — Spending in this function reflects \$4.1 billion in spending associated with the extended unemployment benefits included in the recently-enacted economic stimulus package (P.L. 107-147). The majority (\$8.5 billion) of spending associated with this provision will occur in 2002. (See box *Economic Stimulus in the House Republican Budget* in this section for additional discussion of the stimulus law.)

Economic Stimulus and the House Republican Budget

Total 2003-2007 spending for Function 600 reflects \$4.4 billion resulting from the recently-enacted economic stimulus package (P.L. 107-147). In addition to tax cuts, the law included 13 weeks of extended unemployment insurance benefits for workers who have exhausted their UI benefits. Spending associated with these extended benefits is \$12.6 billion from 2002-2007 and \$4.1 billion from 2003-2007 (however, the Joint Committee on Taxation estimates that the net cost of these benefits, including revenue recouped within the UI program, to be \$2.8 billion over ten years). The law also included a one-year extension of two expired provisions of the TANF program (\$319 million in Supplemental Grants and availability of the Contingency Fund) through 2002. The Administration's budget, published before enactment of P.L. 107-147, reflects all costs of its economic stimulus proposal in Function 920.

Housing Assistance

According to the Administration, 4.9 million low-income families have worst-case housing needs, using over half of their incomes for rent or living in substandard conditions. The House Republican budget for 2003 includes modest increases for rental housing vouchers and a few, signature homeownership initiatives. However, it offsets these increases by making dramatic cuts in a few programs and by freezing funding for most programs at or near the 2002 enacted level. See the Table *Changes in Major Low-Income Housing Assistance Programs for 2003* for more detail on these program cuts.

- ***Funding Erodes for Most Programs*** — By adopting the President's spending levels, the House Republican budget freezes funding for most assisted housing programs at or near the 2002 enacted level. Programs cut below the amount necessary to maintain constant purchasing power at the 2002 level include Homeless Assistance Grants (\$14 million) and Housing for The Elderly and Disabled (\$20 million). See the Table *Changes in Major Low-Income Housing Assistance Programs for 2003* for more detail on these cuts.
- ***Cuts Funding for Critical Repairs to Public Housing, Again*** — Continuing the practice of cutting funds for critical repairs to public housing begun in the Administration's 2002 budget, the House Republican budget cuts the Public Housing Capital Fund to \$2.4 billion, \$417 million (14.7 percent) below the 2002 enacted level. Public housing — home to 1.2 million families, over 40 percent of whom are elderly or disabled — faces a \$20 billion backlog of unmet repair needs and an additional \$2 billion in needs accruing each year.

- ***Eliminates Rural Housing and Economic Development*** — The House Republican budget eliminates this \$25 million program, which encourages new and innovative approaches to serve the housing and economic development needs of rural populations through grants to local community-based organizations.

Changes in Major Low-Income Housing Assistance Programs for 2003 (Dollars in Millions)			
	2003 Budget from 2002	Change from 2002 Enacted	Change from 2002 Inflation- Adjusted (CBO)
New Section 8 Rental Assistance Vouchers (within Housing Certificate Fund)	204	100	204
Public Housing Capital Fund	2,426	-417	-471
Public Housing Operating Fund	3,530	35	-31
Revitalization of Distressed Public Housing (HOPE VI)	574	0	-11
HOME Investment Partnerships Block Grant	2,084	238	203
Downpayment Assistance Initiative (within HOME)	[200]	[150]	[149]
Housing Counseling	35	15	15
Homeless Assistance	1,130	7	-14
Housing for Elderly & Disabled	1,024	0	-20
HOPWA	292	15	10
Native American Housing Assistance	647	-2	-14
Rural Housing & Economic Development	0	-25	-25
Rental Housing Assistance (rural)	712	11	-2

- ***Renews All Section 8 Rental Assistance (Housing Certificate Fund)*** — Like the Administration, the House Republican budget provides \$16.9 billion to renew Section 8 rental assistance for currently assisted families, \$260 million to provide 43,300 tenant-protection vouchers for families scheduled to lose other rental housing assistance for management reasons, \$196 million to administer project-based contracts, and \$204 million to provide 34,000 new rental vouchers. (Within the voucher total, the budget sets aside up to \$61 million for special-purpose vouchers and Section 8 downpayment assistance.) The Administration estimates the total cost of these efforts as \$17.5 billion, but projects that \$1.1 billion of previously appropriated funds will become available for reuse in 2003 and therefore the Republican budgets provide only \$16.4 billion in new funding for these purposes.

With the exception of new rental vouchers, this funding simply ensures that the three million currently assisted families continue to receive assistance. The budget estimates that, compared to the 2002 enacted level, an additional \$1.8 billion (or \$1.1 billion if you exclude a one-time offset of \$640 million that was only available in 2002) is required to renew expiring rental assistance contracts for 2003.

Federal Employee Retirement

See *Function 950 (Undistributed Offsetting Receipts)* for discussion.